

## THE REGIONAL HOUSING SUBSIDY DISTRIBUTION SYSTEM

Approved by ABAG's Executive Board, September 16, 1976

Summary Report\* January , 1978

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What is the Regional Housing Subsidy Distribution System?

It is a plan for distributing Federal and State housing subsidies within the nine-county San Francisco Bay Region, and a means of communicating to the State and Federal governments that cities and counties in the Bay Area support use of such a plan. It represents a regional approach to meet housing needs, rather than a Federal or State approach. It is a plan developed by the region's member governments working through their recognized regional planning agency.

ABAG's Regional Housing Subsidy Distribution System allocates for each of the nine counties and for the larger cities in the region. It also contains guidelines for the redistribution of unused subsidies. It is a "two-tiered" mechanism which consists of a "Basic Distribution" for use with regular nationwide allocations by HUD and a "Bonus Distribution" for use with supplemental allocations such as those awarded on the basis of Areawide Housing Opportunity Plans.

Why Does ABAG Have a Regional Housing Subsidy Distribution System?

First, because the amount of housing subsidies available is very limited compared with the magnitude of the region's housing needs, a rational way must be found to distribute this scarce resource. Development of ABAG's Subsidy Distribution System has provided its member governments the opportunity to determine how the limited amount of subsidy would be distributed.

Second, the System is an important part of ABAG's ongoing housing program. It is one basis for ABAG Clearinghouse comments on applications for Federal housing and community development assistance.

Third, development of the System was the first step in preparation of an Areawide Housing Opportunity Plan which is a prerequisite to qualifying for a "bonus" allocation of Federal housing assistance. A supplemental allocation of such funds is much needed to increase the number of lower-income households that can receive assistance.

\* NOTE: This Summary Report consolidates information contained in several previous reports and memoranda that were distributed to elected officials and others throughout the region. These include items dated April 27, 1976, June 29, 1976; September 16, 1976; October 4, 1976; January 17, 1977 and January 20, 1977.



Fourth, agreement on the Regional Housing Subsidy Distribution System can be the basis for seeking changes in the operating procedures of the subsidy programs so that they can better serve local housing needs. By demonstrating its capacity to handle this complex issue, the region strengthens ABAG's ability to advocate other regional housing benefits.

#### Background of the Regional Housing Subsidy Distribution System

The origins of ABAG's Regional Housing Subsidy Distribution System can be traced to the trends in Federal policies during the 1960's and early 1970's.

The era of Federal encouragement of regionalism in planning coincided with the final years of active civil rights legislative effort (culminating in the Civil Rights Act of 1968) and concern for extending economic opportunity, and with a dramatic acceleration in the production of subsidized housing (Secs. 235 sale housing and 236 rental housing; Sec. 23 leased public housing). During 1968-72, councils of governments across the nation were urged to develop and adopt regional systems for allocating Federal housing subsidies and the U.S. Department of Housing and Urban Development (HUD) promised to honor them, once adopted.

In 1972, as a condition for Sec. 701 funding for comprehensive regional planning, HUD directed ABAG to develop such an allocation system. In January, 1973, while work on the system was in progress, the Administration declared a moratorium on all Federally subsidized housing programs.

In March, 1974, ABAG circulated a preliminary report on "Regional Housing Allocation" to member governments and interested citizens. That report contained a discussion of general issues, and a formula that could be used to allocate housing subsidies. Extensive and thoughtful comments were communicated to ABAG from many who reviewed that preliminary document. Some respondents objected to one or more of the components of the formula. Many were concerned about how the formula would be implemented. This was particularly critical at the time because the moratorium on Federal housing assistance was still in effect. Since there was then no indication as to when the moratorium would be lifted, nor the direction that renewed Federal housing programs would subsequently take, many of the questions raised were temporarily unanswerable. Further work on the preliminary allocation report was therefore suspended.

With the enactment of the 1974 Housing and Community Development Act in August of that year, the role of the Federal government in subsidizing low- and moderate-income housing was radically altered. Some programs that had previously been heavily funded were sharply cut back, with the clear expectation that they would shortly be closed out entirely: Section 23 leased public housing, Section 235 sale housing and Section 236 rental housing. The new Section 8 program was designed primarily to help low- and moderate-income people rent suitable and affordable housing in the private market rather than to produce a low-rent housing supply with



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direct public subsidies to developers, as the previous programs had done. Section 8 could be used in a number of different ways: as a way of making market-rate existing housing affordable by lower-income tenants; as a financial incentive to developers of new or substantially rehabilitated housing; as an alternative means of financing low-rent housing owned by local housing authorities; as a way of lowering the rents paid by the elderly and handicapped in Section 202 projects.

During 1975, HUD gave further support to areawide planning for the distribution of housing subsidies. In August of that year, HUD issued revised regulations for Section 701 Comprehensive Planning Assistance. These required that -- to qualify for such funding -- areawide planning organizations, such as ABAG, complete a regional housing element which would:

- (i) Identify the housing needs of the current and prospective population by appropriate geographic sectors and provide for the distribution of housing resources (including assisted housing) to meet the needs of all citizens in order to provide a choice of housing types and location; and
- (ii) Develop policies, strategies and legislative and administrative proposals necessary to accomplish areawide housing goals and objectives.\*

At the Conference of the National Association of Regional Councils in 1975, HUD Secretary Hills pledged that her agency would distribute Section 8 subsidies according to adopted fair-share housing plans, where they existed. This represented further support for areawide housing planning.

Phase I of ABAG's Regional Housing Element, approved by the Executive Board in August 1975, stated as its first objective and highest priority:

To have regional housing policies adopted by ABAG and by its member counties and cities, as a basis for allocating the region's available housing subsidies.

As a first step, the Regional Planning Committee, in April, 1976, reviewed a memorandum on housing allocation covering the background of ABAG's involvement in housing subsidy distribution, the objectives of a regional housing allocation system, resources to be allocated, basic principles of the system and implementation methods. That memorandum was widely circulated among elected and appointed officials and other interested parties;

\* Federal Register, August 22, 1975, page 36861, Sec. 600.70 (b) (2).



comments were invited. During spring and summer, ABAG staff conferred at length on the subject with local housing authority directors and housing planners throughout the region.

A more detailed proposal for a regional housing subsidy distribution system, reflecting comments received on the April memorandum, was discussed by the Regional Planning Committee in July and presented to the Executive Board the same month. Again, the proposal was given wide circulation and evoked useful comment and discussion.

Finally, a "Proposed Regional Housing Subsidy Distribution System" was scheduled for consideration by the Regional Planning Committee in September. Copies of the proposal and notices of the meeting were sent to public officials and citizens throughout the region, with an invitation to hear the presentation and discussion and to present comments and questions. About forty people attended from localities throughout the region. Many thoughtful and exceptionally constructive suggestions were submitted to the Committee by both public officials and private citizens. The Committee then recommended that the Proposed Regional Subsidy Distribution System, as presented, be approved by the Executive Board and the RPC be permitted to continue working with staff in making further improvements in accordance with suggestions submitted by member governments and the public. It was understood that RPC would report to the Executive Board periodically on modifications and revisions to be made in the system.

In September, 1976, the Executive Board approved the Regional Housing Subsidy Distribution which is discussed below and gave RPC these charges:

- reviewing Housing Assistance Plans submitted with Community Development Block Grant applications for A-95 review;
- reassigning unused subsidies to communities applying for increased allocations;
- distributing supplemental allocations if and as these become available;
- continuously monitoring and evaluating the system to see if it needs adjustment or major change.

A description of the approved system was then sent to ABAG's member governments. A description was also sent to the U.S. Department of Housing and Urban Development requesting that the system be accepted and used to distribute available subsidies. The response -- from HUD Area, Regional and Central offices -- was uniformly affirmative and supportive. In December, 1976, ABAG and the San Francisco Area Office of HUD conducted

ABAG REGIONAL HOUSING SUBSIDY DISTRIBUTION SYSTEM

Approved September 16, 1976

	<u>Basic Distribution</u> % of Regional Total	<u>Bonus Distribution</u> % of Regional Total
<u>Regionwide Total</u>	100.00	100.00
<u>Alameda County</u>	25.45	23.09
Alameda	1.68	.03
Berkeley	4.25	2.51
Fremont	1.13	3.59
Hayward	1.71	3.26
Oakland	12.33	---
San Leandro	1.29	5.67
Co. Rem.*	3.06	8.03
<u>Contra Costa County</u>	8.51	9.37
Concord	1.11	2.68
Richmond	2.02	---
Co. Rem.*	5.38	6.69
<u>Marin County</u>	2.96	3.68
<u>Napa County</u>	1.35	1.80
Napa	.78	---
Co. Rem.*	.57	1.80
<u>San Francisco</u>	24.83	---
<u>San Mateo County</u>	8.87	26.01
Daly City	1.13	2.76
Redwood City	1.18	3.52
San Mateo	1.53	3.88
Co. Rem.*	5.03	15.85
<u>Santa Clara County</u>	20.45	30.30
Mountain View	1.35	3.97
Palo Alto	1.24	3.89
San Jose	9.23	---
Santa Clara	1.76	4.82
Sunnyvale	1.66	5.95
Co. Rem.*	5.21	11.67
<u>Solano County</u>	3.34	.30
Fairfield	0.81	---
Vallejo	1.53	---
Co. Rem.*	1.00	.30
<u>Sonoma County</u>	4.25	5.48
Santa Rosa	1.20	---
Co. Rem.	3.05	5.47

\*"County Remainders" (Co. Rem.) include units for cities under 50,000 pop. in 1970 for which comparable data is not yet available, and for unincorporated areas.

NB: Columns may not add due to rounding.



a joint workshop for local governments and interested citizens, at which HUD staff explained how the second round of subsidies would be allocated according to ABAG's system.

Letters describing the Executive Board's action and approved system were sent also to the State Office of Planning and Research and the Department of Housing and Community Development. Responses to these communications were also supportive.

At its December, 1976, and January, 1977 meeting, the ABAG Regional Planning Committee approved (1) guidelines for the redistribution of subsidies which would not be used in timely fashion by the recipient jurisdictions and (2) a regional goal for subsidized housing for the third program year (1977-78).

#### What Are the Principal Objectives of ABAG's Regional Housing Subsidy Distribution System?

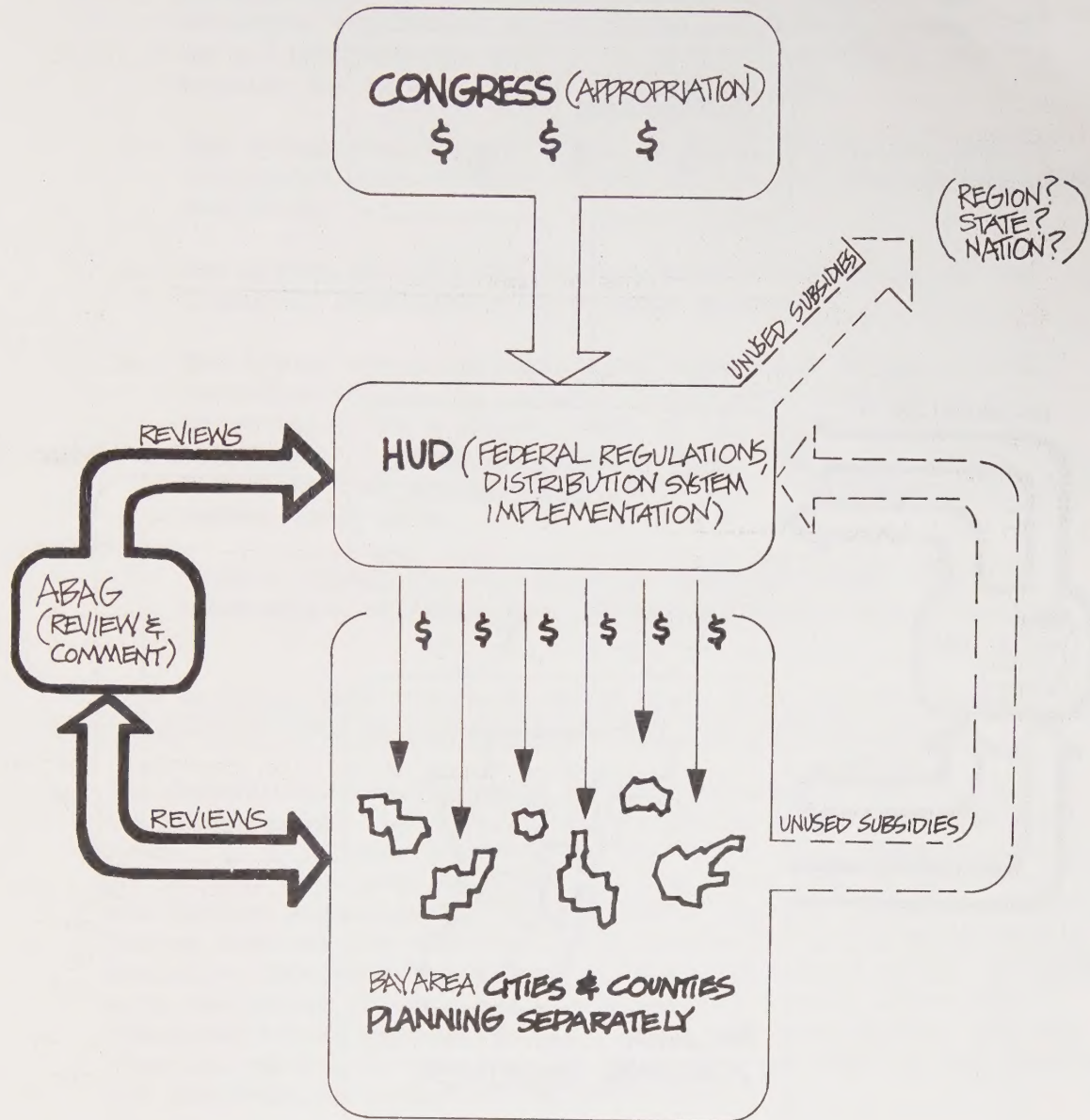
1. To expand opportunities for low- and moderate-income and minority households to live in suitable housing in desirable neighborhoods throughout the region, and avoid concentrating assisted housing in areas that have already become economically and racially impacted;
2. To help local governments get the resources they need in order to conserve and expand their supply of low- and moderate-income housing;
3. To encourage private investment in the conservation and expansion of low- and moderate-income housing in accord with the region's needs.

ABAG's Regional Housing Subsidy Distribution System is best understood as a mechanism for Bay Area cities and counties to plan together, rather than separately, to determine how subsidies shall be distributed throughout the region. Also, it involves the concept that subsidies initially distributed to Bay Area communities but unused by them, would be retained in the region and be reassigned to another Bay Area community. HUD continues to handle the actual disbursement of Federal funds but now they have agreed to make the local allocations conform to the regionally approved system.

Prior to the adoption of ABAG's system, HUD allocated subsidies to Bay Area communities on the basis of its own regulations and its own distribution system, as illustrated in Chart I following. Chart II, on the succeeding page, illustrates how ABAG's system redirects the flow of subsidies. Under the ABAG system, since the target figures for distribution to localities have been arrived at through a joint planning process, quantified goals of the individual Housing Assistance Plans (HAPs) conform to the ABAG system. Because subsidies cannot be released to a housing authority or developer unless their use is consistent with the local HAP, ABAG's regional system is most effectively implemented through its incorporation into local HAPs.

# THE PREVIOUS SYSTEM

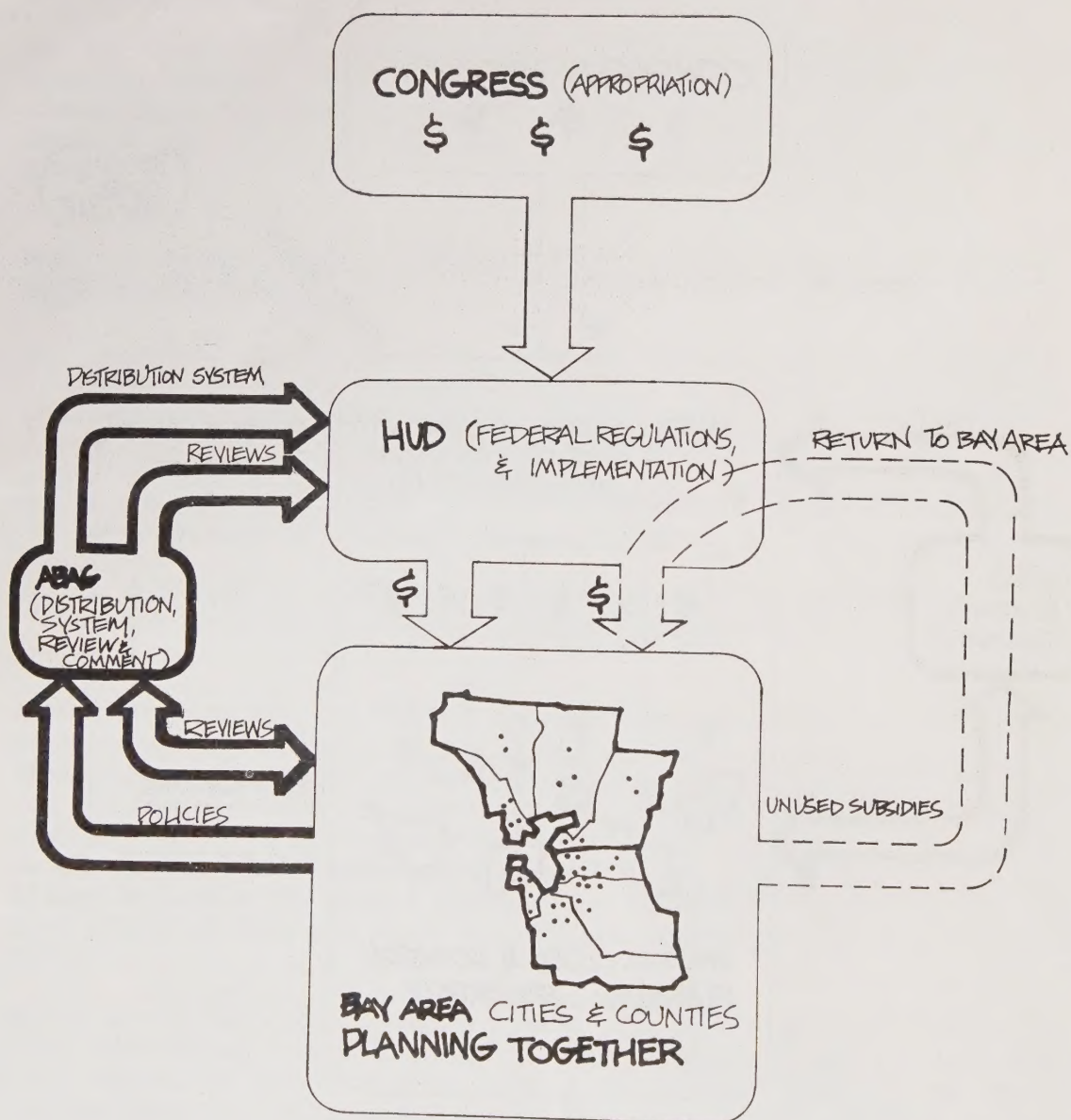
# I





# THE ABAG SYSTEM

## II





## What Considerations Guided the Design of the Regional Housing Subsidy Distribution System?

The System was designed to meet five criteria:

1. The System must be keyed closely to the principal housing subsidy program available (currently Section 8 housing assistance). As new housing assistance programs are developed and funded at the State and Federal levels, or as old programs are revised or revived, ABAG will re-examine the system and make needed changes.
2. The System should provide all Bay Area households needing assistance with an equal chance to use the limited subsidies available.
3. The System should link housing subsidies directly to the Community Development Block Grant program.
4. The System should create a pool consisting of the unused subsidies within the region. Since some communities can effectively use a larger share of the region's subsidies than their "basic allocation," while others will undoubtedly find that they can use less, this pool should be redistributed within the region.
5. Housing opportunities should be dispersed where there is substantial evidence that job opportunities have dispersed.

A system meeting these standards would operate to expand the geographic distribution of housing opportunities for lower-income people.

1. The Federal Section 8 housing subsidy program has two distinct components: (a) one dealing with existing housing and designed primarily to promote greater mobility among lower-income households in finding their own dwelling; (b) the other dealing with newly constructed or substantially rehabilitated housing. Therefore, ABAG's System combines the same two basic components in its Basic Distribution -- one providing subsidies to eligible households, in accord with the number of such households needing housing assistance (weighted three); the other stimulating new construction and substantial rehabilitation in order to create new housing opportunities for lower-income households (weighted one).\*

\* It was originally proposed to make separate allocations for Existing Housing and New Construction/Substantial Rehabilitation within the Basic Distribution. In response to the desires of member governments, however, the procedure was changed to combine the two into a single figure and allow each locality to determine how that sum would be allocated among programs.



2. The allocation of housing subsidies to communities based on the proportionate share of the region's lower-income residents (one factor in the Basic Distribution) might seem to reinforce present patterns of impaction and segregation. It would not have this effect, however, if the program were such that once a household has been certified as eligible to participate in the program, that household would be able to go anywhere in the region to seek and find a dwelling that suits its need and its desires. The dwelling chosen could be in the same neighborhood, or in a distant community. The regionwide subsidy allocation would then allow all households needing assistance to have an equal chance at the limited subsidies available, and to use the subsidies throughout the region. In the Bay Area, a substantial measure of this equality of opportunity has been accomplished within counties, if not yet between counties. State legislation enacted in 1976 and currently effective (S.B. 2082) further extends the range of housing authority operations within counties:

An authority may provide leased housing to persons of low income throughout the county in which it operates, except:

- (a) No commitment to provide leased housing outside the area of operation may be made in advance of construction without approval of the local governing body in the city or, if an unincorporated area, the county with jurisdiction of the site of construction; and
- (b) Leased housing may not be provided within the area of operation of another authority if the local governing body of the other authority disapproves in advance.

The housing authorities of Alameda and Santa Clara Counties have entered into an arrangement whereby each honors Section 8 Certificates issued by the other. ABAG will advocate, and assist in, expanding this concept toward the end of having all Certificates, regardless of where they originate in the Bay Area, useable throughout the nine counties.

HUD's "finders-keepers" policy assures that a housing allocation system will not become a method for dispersing lower-income people according to some predetermined pattern. Since the choice is left entirely to each eligible household to seek and find a suitable dwelling, there can be no predetermined pattern. On the other hand, one should not expect any extensive out-mitigation to occur from the region's impacted centers to the suburban fringes. Prior experience with housing subsidy programs indicates that lower-income people generally tend to seek new housing fairly close to the areas with which they are already familiar.



3. The second factor in the Basic Distribution formula is designed to counter impaction and to expand opportunities for lower-income households to find suitable housing outside of predominantly segregated areas. This is accomplished by using the percentage equivalent to the jurisdiction's share of the total amount of Block Grant funds coming into the region. By excluding the "hold-harmless" provision of the Block Grant formula, this factor directs a larger share of available subsidies to parts of the region that have had relatively little to do with subsidized housing in the past. At the same time it assures that central cities continue to receive a sizeable share of all housing subsidies, since the Block Grant allocation formula is based on the size of the population, the number of households with incomes below the poverty level and the number living in overcrowded dwellings.
4. The System provides that -- after a reasonable period -- any unused subsidies shall be redistributed to cities within the region which would use them to expand housing opportunities beyond impacted areas or to support programs for housing and neighborhood rehabilitation.
5. The balance between lower-income job opportunities and housing is addressed in the Bonus Distribution part of the System. The formula for this part involves two factors: (1) the relationship between [a] the proportion of the jurisdiction's housing stock which is HUD-subsidized to [b] the corresponding proportion for the region and (2) the relationship between [a] the number of lower-income households already employed in the community who might be expected to live there if suitable housing were available and [b] the total number of such households ("expected to reside") for the region.

The initial Bonus Distribution formula in the Regional Housing Subsidy Distribution System used information on prior housing subsidies and 1970 census data on commuting patterns of lower-income workers, both of which data were provided by HUD. It is hoped that in the future the System can be improved by use of more current employment and commuting data.

The table on the following page demonstrates the expected impact of ABAG's Regional Housing Subsidy Distribution System on the geographic distribution of housing subsidies for lower income households. A ratio of 1.0 indicates that the local share is exactly proportional to the percent of HUD-subsidized units in the entire region's housing stock. If every locality had a ratio of 1.0, it would mean that subsidized housing were equally available throughout the region. For 23 (81 percent) of the 28 localities listed, the ratio changed in the direction of 1.0, a "fair-share." The other five are either unchanged or only slightly farther from 1.0.



### What Is the System in Detail?

ABAG's Regional Housing Subsidy Distribution System is designed to allocate Federal and State housing assistance money which it is feasible to distribute on a "fair-share" basis. Since the formula was approved by the ABAG Executive Board in September, 1976, it has been used by the U.S. Department of Housing and Urban Development (HUD) for funds which became available in December, 1976. The San Francisco Area Office of HUD announced that applicants could select from among the following rental programs in using the Federal moneys:

- Section 8 - New Construction
- Section 8 - Substantial Rehabilitation
- Section 8 - Existing
- Section 23 - Conversion to Section 8\*
- Section 8 - Property Disposition\*
- Section 8/Section 202 (direct loans for housing for the elderly or handicapped)
- Section 8/FmHA Section 518 (direct loans for rural housing)
- State of California/Section 8
- Low Rent Public Housing (traditional)

According to Federal Regulations published August 23, 1976, the following Federal subsidies might also have been distributed according to areawide plans, at the HUD Secretary's discretion:

- Section 235 (mortgage insurance and assistance payments for sale housing)
- Section 236 (mortgage insurance and interest reduction payments for rental and cooperative housing) --now inactive
- Section 101 (rent supplement payments)
- Section 202 (direct loans for construction or rehabilitation of housing for the elderly or handicapped).

The Regional Housing Subsidy Distribution System established "target" figures for:

- o Each county
- o Each city of 50,000 or more population within the county
- o The county remainder

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\* ABAG subsequently informed HUD that Section 23 Conversion to Section 8 and Section 8 for Property Disposition did not increase the region's supply of subsidized housing and therefore were not appropriate for inclusion in the Regional Housing Subsidy Distribution program. When supplemental funds became available for these programs, HUD allocated them in terms of the locality's supply of Section 23 leases or of financially distressed housing.



The "target" figure represents the number of units which could be assisted with the jurisdiction's share of the total subsidy funds for the region, using a dollar amount per unit consisting of the average among the rates for different unit sizes and programs (Existing Housing, New Construction/Substantial Rehabilitation). The "target" figures from the Basic Distribution are intended as guides to local governments in establishing numerical goals for their Housing Assistance Plans (HUD forms do not provide for expressing these in dollar amounts). Localities are encouraged to adopt goals exceeding their "target" figures if they can deliver additional housing assistance, with the understanding that the amounts in excess of the "target" would come through a Bonus Distribution and/or recycling.

The Regional Housing Subsidy Distribution System is a two-tiered formula (see table page 5) which speaks, respectively, to (1) housing need (Basic Distribution) and (2) expanding housing opportunities throughout the region (Bonus Distribution). The System also provides a mechanism for reassigning subsidies within the region when the recipient jurisdiction is unable to use funds "targeted" to it.

The Basic Distribution (geared to meeting need) is determined by combining factors:

- o Proportion of the region's lower-income households in the given area (75%)
- o The formula adopted by Congress to determine each jurisdiction's Community Development Block Grant "entitlement."\* This was designed to promote "the spatial deconcentration of housing opportunities for person of lower-income. . .".\*\* The factors in the formula are: total population, overcrowded housing, extent of poverty (Counted twice) (25%).

Each locality's "target" figures computed by applying the Basic Distribution formula to the total subsidy funds available for the region:

$$\left( \frac{3a + b}{4} \times R \right) \div c = \text{"target" figure}$$

where a = locality's proportion of region's lower-income households  
b = locality's proportion of Block Grant entitlement funds for region  
c = average \$ rate per dwelling unit  
R = total housing subsidy funds available for region

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\* Note that this formula was applied to all nine counties, although three of them -- Solano, Napa and Sonoma -- did not receive a formula amount of Block Grant entitlement funds under Federal law.

\*\* Housing and Community Development Act of 1974, P.L. 93-383, Sec. 101 (c) (6).



PROPOSED REGIONAL HOUSING SUBSIDY DISTRIBUTION SYSTEM

Measuring Impacts on "Spatial Deconcentration"

	HUD Distrib. through 1/75	HUD Distrib. through 6/76	HUD Distrib. through 6/76 plus Proposed Regional Distrib. through 9/77
<u>Regionwide Total</u>	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>
<u>Alameda County</u>	<u>1.07</u>	<u>1.10</u>	<u>1.10</u>
Alameda	1.31	1.27	1.20
Berkeley	1.04	1.01	1.05
Fremont	.16	.31	.43
Hayward	.63	.75	.81
Oakland	1.77	1.65	1.55
San Leandro	.25	.35	.55
Co. Rem.	.48	.74	.77
<u>Contra Costa County</u>	<u>1.17</u>	<u>1.19</u>	<u>1.13</u>
Concord	.42	.53	.60
Richmond	3.04	2.75	2.47
Co. Rem.	.93	.99	.95
<u>Marin County</u>	<u>.63</u>	<u>.69</u>	<u>.69</u>
<u>Napa County</u>	<u>.66</u>	<u>.80</u>	<u>.82</u>
Napa	1.38	1.53	1.41
Co. Rem.	--	.15	.28
<u>San Francisco</u>	<u>1.53</u>	<u>1.31</u>	<u>1.25</u>
<u>San Mateo County</u>	<u>.34</u>	<u>.46</u>	<u>.57</u>
Daly City	.18	.36	.48
Redwood City	.21	.35	.51
San Mateo	.28	.39	.52
Co. Rem.	.41	.51	.60
<u>Santa Clara County</u>	<u>.85</u>	<u>.93</u>	<u>.95</u>
Mountain View	.42	.52	.67
Palo Alto	1.28	1.19	1.24
San Jose	1.25	1.28	1.20
Santa Clara	.31	.47	.65
Sunnyvale	.33	.46	.62
Co. Rem.	.37	.75	.81
<u>Solano County</u>	<u>1.52</u>	<u>1.29</u>	<u>1.21</u>
Vallejo	2.05	1.74	1.60
Co. Rem.	1.11	.94	.91
<u>Sonoma County</u>	<u>.53</u>	<u>.64</u>	<u>.69</u>
Santa Rosa	1.38	1.30	1.21
Co. Rem.	.25	.42	.51

\* Measurement consists of a ratio, local ÷ regional %, subsidized units as a % of total units (1970). Numbers less than 1.00 indicate less than the regionwide average percentage of subsidized housing. Numbers above 1.00 are shown for communities with higher proportion of subsidized units than regionwide average.

o The first column portrays the distribution of housing subsidies through January 1975. This was prior to the Section 8 program, initiated with the Housing and Community Development Act of 1974.

o The second column portrays the distribution of housing subsidies as of the end of Fiscal '76. This includes the first two years of the Section 8 program, as well as earlier subsidies.

o The third column portrays the distribution of housing subsidies as it would be at the end of Fiscal '77, if ABAG's proposed system is approved and implemented for 709 units of "Basic Allocation" and 3,000 units of Bonus Allocations.

7907

Each city of 50,000 or more and each county determines how its share of the region's Basic subsidy will be distributed among the eligible programs and unit sizes. HUD then allocates the jurisdiction's share of the funds  $\frac{(3a + b)}{4} \times R$  by program in proportion to the local goals therefor.

It is ABAG's position that each county and entitlement city should be assigned a "basic" amount of subsidy each year that is large enough to attract prospective developers.

The Bonus Distribution (geared to expanding housing opportunities throughout the region) is applied to supplemental allocations of Federal housing assistance awarded to areawide planning organizations (such as ABAG) with approved Areawide Housing Opportunity Plans. The Bonus Distribution is based on:

- o The amount of subsidized housing already located in each area
- o The location of lower-income jobs throughout the region.

Each year's target figure for the Bonus Distribution is computed as follows:

1. The total number of subsidized units which have been presently awarded to the region is stated as a percent of the region's total housing stock.
2. The number of subsidized housing units which have been previously awarded to an area is stated as a percent of its total housing stock.
3. The area's percent of total units which are subsidized is expressed as a ratio to the percent of the region's total units which are subsidized. A ratio of 1.00 would indicate that a locality had the same proportion of its total housing stock receiving direct subsidies as the regionwide average, and below 1.00 would indicate less. One goal of the Bonus Distribution is to approach a "fair share" of the region's subsidized housing for each locality.
4. For each area, the total number of housing units is multiplied by the difference between the ratio in Step 3 and 1.00 (regionwide parity). This produces a weighted bonus or penalty for each area; it expresses divergence from regionwide parity.
5. The local weighted bonus (or penalty) computed in Step 4 is converted into a percent of the regionwide total bonuses (or Total penalties).
6. The San Francisco Area Office of HUD provided estimates the number of lower-income households already employed in each locality who might be expected to live there if suitable housing were available. These figure were converted into percentages of the regionwide total lower-income households "expected to reside" where the household members are employed. This introduces consideration of the goal of providing lower-income housing convenient to job opportunities.



7. For each area, the values in Steps 5 and 6 are added together. This balances the two goals of parity in subsidies and housing convenient to employment. Where the locality's percentage of households "expected to reside" in the area (Step 6) is smaller than the percent penalty figure (step 5), the result become 0.
8. The values computed in Step 7 are summed to determine the regionwide total.
9. For each area, the value computed in Step 7 is converted to a percentage of the regionwide total (Step 8).
10. The percentage from Step 9 times the supplemental allocation to the the region represents the area's "target" amount for the Bonus Distribution. (See table page 5)
11. As in the case of the Basic Distribution, each city of 50,000 or more and each county determines how its percentage of the region's Bonus subsidy will be distributed among the eligible programs.

When the recipient jurisdiction is unable to use in timely fashion the funds "targeted" to it, the Regional Housing Subsidy Distribution System provides guidelines for reassigning subsidies within the region:\*

- o First priority is given to those jurisdictions with lower percentages of assisted housing than the regionwide average.
- o Second priority is given to those which demonstrate that they will use the reassigned subsidies (1) to expand the "spacial deconcentration" of assisted housing or (2) in connection with housing and neighborhood rehabilitation projects.

#### How Is the Regional Housing Subsidy Distribution System Implemented?

1. HUD establishes the amount of Federal subsidy dollars to be earmarked for the nine-county Bay Area. HUD then distributes this sum taking into consideration the approved regional system, along with any special instructions that may come from HUD central.
2. Until such time as the State of California housing subsidy programs establish regional shares for State subsidies, it will not be feasible to allocate them within the San Francisco Bay Area according to the ABAG system.

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\* These guidelines were approved by the Regional Planning Committee December 8, 1976, and January 5, 1977, but still require Executive Board approval .



3. ABAG Clearinghouse uses the Regional Housing Subsidy Distribution System to set housing subsidy targets for localities to review applications from local governments for Federal Housing and Community Development assistance and from private developers seeking Federal housing subsidies.
4. Each local government preparing a Housing Assistance Plan or housing element uses the Regional Subsidy Distribution System as a guide in setting local goals for housing assistance.

It must be recognized that public policies cannot force private enterprise to produce the housing in accordance with the allocation of the subsidies. In particular, developers of new housing are constrained by the cost and availability of buildable land, costs of construction and financing and the willingness of local government to grant necessary approvals. The Regional Housing Subsidy Distribution System does assure that each locality has an opportunity to obtain its fair share of housing subsidies. The allocation is a criterion against which to assess a locality's performance in fulfilling its responsibility for housing low- and moderate-income people.

#### Next Steps to Consider

The Regional Housing Subsidy Distribution System described here is just a beginning at implementing approved regional housing objectives and policies. Much remains to be done in refining the System and making it fully operational.

Four possible lines of action should be considered as next steps in this process:

- o Recalculate the local percentage shares using current data on all factors.
- o Evaluate the new Congressional formulas for "entitlement" Community Development Block Grants (Housing and Community Development Act of 1977) and/or alternatives for this factor in the Basic Distribution formula.
- o Improve the "expected to reside" component of the Bonus Distribution formula to include better estimates lower-income households expected as the result of planned employment.
- o Consider merging the "bonus" and the "basic" formulas in order to incorporate the factors of "expected to reside" and previously-awarded housing subsidies into the initial distribution. This would set initial targets according to the principle of expanding opportunity for geographic choice in housing.



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